Bahrain Flour Mills Company B.S.C.

Financial statements

31 December 2018

Bahrain Flour Mills Company B.S.C.

FINANCIAL STATEMENTS
For the year ended 31 December 2018

CONTENTS

Commercial registration	1170 (Bahrain Joint Stock Company)
Board of directors	Mr. Abdullateef Al Aujan (*Chairman*) Mr. Salah Mohamed Al Kulaib (*Vice chairman*) Ms. Afnan Rashid Al Zayani Mr. Abbas Abdul Mohsen Radhi Mr. Adel Ahmed Abdulmalik Mr. Marwan Khaled Tabbara Dr. Marwa Khalid Al Sabbagh Mr. Ayman A. Hameed Zainal
Audit committee	Mr. Abbas Abdul Mohsen Ahmed Radhi (*Chairman*) Ms. Afnan Rashid Al Zayani Mr. Adel Ahmed Abdulmalik Mr. Ayman A. Hameed Zainal
Corporate governance committee	Mr. Abbas Abdul Mohsen Ahmed Radhi (*Chairman*) Ms. Afnan Rashid Al Zayani Mr. Adel Ahmed Abdulmalik Mr. Ayman A. Hameed Zainal
Nomination and remuneration committee	Mr. Abdullateef Al Aujan (*Chairman*) Mr. Salah Mohamed Al Kulaib (*Vice chairman*) Mr. Abbas Abdul Mohsen Ahmed Radhi Dr. Marwa Khalid Al Sabbagh
Investment committee	Mr. Abdullateef Khalid Al Aujan (*Chairman*) Mr. Marwan Khaled Tabbara (*Vice chairman*) Dr. Marwa Khalid Al Sabbagh
Wheat purchasing committee	Mr. Abdullateef Khalid Al Aujan (*Chairman*) Mr. Marwan Khaled Tabbara Mr. Salah Mohamed Al Kulaib
Chief executive officer	Wayne Henry Craig
Office and plant	Building No. 1773, Road No. 4236, Block No. 342 P.O. Box 26787 Manama, Kingdom of Bahrain Telephone 17729984, Fax 17729312 E-Mail: info@bfm.bh
Bankers	BBK BSC Ahli United Bank BSC National Bank of Bahrain BSC Arab Bank NBK
Auditors	KPMG Fakhro
Shares registrar	Karvy Computershare W.L.L.

KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Flour Mills Company BSC
PO Box 26787
Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Bahrain Flour Mills Company BSC (the "Company") which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness and accuracy of government subsidy

Refer to Note 13 to the financial statements.

Description	***How the matter was addressed in our audit***
The Company's products are subsidised by the government of the Kingdom of Bahrain. We focused on this matter because of significance of the subsidy amount representing 54% of total income from operations, and importance of the subsidy to the business of the Company.	Our audit procedures included: • testing the design and operating effectiveness of controls over the process of recognising and claiming government subsidy; • assessing whether claims made by the Company are in line with the memorandum of understanding agreed with Ministry of Industry, Commerce and Tourism; • agreeing the amount of subsidy received with the amount approved by Ministry of Industry, Commerce, and Tourism; and • assessing the adequacy of the Company's disclosures related to government subsidy by reference to relevant accounting standards.

Impairment of inventory

Refer to Note 5 to the financial statements.

Description	***How the matter was addressed in our audit***
We focus on the this matter because: • the Company has significant inventory and spare parts representing 25% of the total assets. • the determination of the level of the impairment allowance involves judgement and estimation uncertainty.	Our audit procedures included: • testing the design and operating effectiveness of controls over the process of identification of slow moving items; • testing the ageing of spare parts inventory on a sample basis; • challenging the Company's assumptions in calculating the slaw moving and obsolete inventories; • attending year-end inventory stock count to observe stock count procedures and test a sample of inventory items; and • assessing the adequacy of the Company's disclosures related to provision on inventory by reference to relevant accounting standards.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements for the year ended 31 December 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

As required by the Commercial Companies Law of 2001, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
b) the financial information contained in the directors' report is consistent with the financial statements;
c) we are not aware of any violations during the year of the Commercial Companies Law, or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Jaafar Al Qubaiti.

KPMG

KPMG Fakhro
Partner Registration No. 83
12 February 2019

Bahrain Flour Mills Company B.S.C.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

Bahraini Dinars

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents		3,056,944	3,707,213
Trade and other receivables	4	3,086,701	2,796,719
Inventory	5	6,225,023	4,565,286
Total current assets		**12,368,668**	11,069,218
Non-current assets			
Investment securities	6	8,544,687	6,731,064
Property, plant and equipment	7	3,765,114	4,210,938
Total non-current assets		**12,309,801**	10,942,002
Total assets		**24,678,469**	22,011,220
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	8	634,867	622,284
Import finance loans	9	5,008,631	3,038,622
Total current liabilities		**5,643,498**	3,660,906
Non-current liabilities			
Provision for employees' leaving indemnity	10	49,172	43,243
Total liabilities		**5,692,670**	3,704,149
Equity			
Share capital	11	2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve		1,241,625	1,241,625
Investments fair value reserve	2 (d)	-	107,240
Other reserves		3,463,628	3,463,628
Retained earnings		10,448,669	9,662,701
Total equity (page 11)		**18,985,799**	18,307,071
Total equity and liabilities		**24,678,469**	22,011,220

The financial statements were approved by the Board of Directors on 12 February 2019 and signed on its behalf by:

Abdullatif Khalid Alujan *Chairman*	Salah Mohamed Al Kulaib *Vice Chairman*	Wayne Henry Craig *Chief Executive Officer*

The accompanying notes 1 to 23 are an integral part of these financial statements.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

Bahraini Dinars

	Note	2018	2017
Sales		**7,097,842**	6,991,506
Cost of sales	12	(15,105,638)	(13,161,504)
Gross loss before government subsidy		**(8,007,796)**	(6,169,998)
Government subsidy	13	9,558,368	7,847,577
Gross profit		**1,550,572**	1,677,579
Other operating expenses	14	(1,343,751)	(1,294,731)
Profit from operations		**206,821**	382,848
Investment income	15	841,100	4,483,196
Other income	16	147,318	178,270
Impairment on available-for-sale investments	6	-	(40,541)
Profit for the year		**1,195,239**	5,003,773
Earning per share	17	**48 fils**	202 fils

Abdullatif Khalid Alujan
Chairman

Salah Mohamed Al Kulaib
Vice Chairman

Wayne Henry Craig
Chief Executive Officer

The accompanying notes 1 to 23 are an integral part of these financial statements.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018 Bahraini dinars

	Note	2018	2017
Profit for the year		**1,195,239**	5,003,773
Other comprehensive income:			
Items that are or may subsequently be reclassified to profit or loss:			
Change in fair value of available-for-sale investments	6	-	(340,702)
Transferred to profit or loss on sale of available-for-sale investments	15	-	(4,331,143)
Total other comprehensive income for the year		**-**	(4,671,845)
Total comprehensive income for the year		**1,195,239**	331,928

The accompanying notes 1 to 23 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

Bahraini Dinars

2018	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
At 31 December 2017 as previously reported	2,481,877	1,350,000	1,241,625	107,240	3,463,628	9,662,701	**18,307,071**
Impact of adopting IFRS 9 (note 2d (i))	-	-	-	(107,240)	-	107,240	-
Restated balance as at 1 January 2018	**2,481,877**	**1,350,000**	**1,241,625**	-	**3,463,628**	**9,769,941**	**18,307,071**
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	**1,195,239**	**1,195,239**
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	**1,195,239**	**1,195,239**
Dividends declared for 2017	-	-	-	-	-	(496,511)	**(496,511)**
Charity contributions approved for 2017	-	-	-	-	-	(20,000)	**(20,000)**
At 31 December 2018	**2,481,877**	**1,350,000**	**1,241,625**	-	**3,463,628**	**10,448,669**	**18,985,799**

The accompanying notes 1 to 23 are an integral part of these financial statements.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2018

Bahraini Dinars

2017	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
At 1 January 2017	2,481,877	1,350,000	1,241,625	4,779,085	3,463,628	5,175,439	18,491,654
Comprehensive income:							
Profit for the year	-	-	-	-	-	5,003,773	5,003,773
Other comprehensive income:							
Items that are or may be reclassified to profit or loss:							
Change in fair value of available-for-sale investments	-	-	-	(340,702)	-	-	(340,702)
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(4,331,143)	-	-	(4,331,143)
Total other comprehensive income for the year	-	-	-	(4,671,845)	-	-	(4,671,845)
Total comprehensive income for the year	-	-	-	(4,671,845)	-	5,003,773	331,928
Dividend declared for 2016	-	-	-	-	-	(496,511)	(496,511)
Charity contributions approved for 2016	-	-	-	-	-	(20,000)	(20,000)
At 31 December 2017	2,481,877	1,350,000	1,241,625	107,240	3,463,628	9,662,701	18,307,071

The accompanying notes 1 to 23 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018 Bahraini dinars

	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		**1,195,239**	5,003,773
Adjustments for:			
Depreciation		636,759	648,764
Write-off of property, plant and equipment		7,815	-
Impairment loss on available-for-sale investments		-	40,541
Net change in fair value of investments securities	15	(813,623)	-
Profit on sale of available-for-sale investments		-	(4,331,143)
Profit on sale of property, plant and equipment		(6,590)	(812)
Change in working capital:			
Inventories		(1,659,737)	768,039
Trade and other receivables		(289,982)	(147,345)
Trade and other payables		(23,867)	(1,881,133)
Provision for employees' indemnities		5,929	(10,092)
Net cash (used in) / generated from operating activities		**(948,057)**	90,592
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(198,750)	(200,761)
Proceed from sale of available-for-sale investments		-	5,332,389
Purchase of investment securities		(1,000,000)	-
Purchase of available-for-sale investments		-	(6,169,181)
Proceed from sale of property, plant and equipment		6,887	1,918
Net cash used in investing activities		**(1,191,863)**	(1,035,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Import finance loans obtained		14,081,301	11,770,797
Repayment of import finance loans		(12,111,292)	(10,411,582)
Dividends paid		(480,358)	(480,968)
Net cash generated from financing activities		**1,489,651**	878,247
Net decrease in cash and cash equivalents during the year		**(650,269)**	(66,796)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,707,213	3,774,009
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**3,056,944**	3,707,213
COMPRISING			
Cash on hand		2,417	1,071
Bank balances		3,054,527	3,706,142
		3,056,944	3,707,213

The accompanying notes 1 to 23 are an integral part of these financial statements.

1 REPORTING ENTITY

Bahrain Flour Mills Company B.S.C. ("the Company") is a Bahraini public shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 1170 obtained on 16 July 1970. The Company was incorporated by an Amiri Charter dated 9 May 1970 for a period of 50 years, and commenced its commercial operations on 1 May 1972. The Company's shares are listed on Bahrain Bourse.

The principal activities of the Company are the production of flour and related products which are sold in the local markets.

The registered office of the Company is in the Kingdom of Bahrain.

2 BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Bahrain Commercial Companies Law 2001.

b) Basis of measurement

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention, except for investment securities which are stated at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except for changes arising from adopting of IFRS 9 and IFRS 15.

c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Classification of investments
Upon acquisition of an investment, management decides whether it should be classified as measured at amortised cost; at fair value through other comprehensive income; or at fair value through profit or loss (FVTPL). The classification of each investment reflects Company's business model in relation to each investment and is subject to different accounting treatments based on such classification.

2 BASIS OF PREPARATION (continued)

(ii) Impairment of inventories
The Company reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The Company identifies the inventories, which have been impaired based on the age of the inventory and their estimate of the future demand for various items in the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience and prevalent market conditions.

(iii) Impairment of trade receivables
The Company establishes provision for impairment of accounts receivables based on 'expected credit loss' ("ECL") model. The Company uses a simplified approach as allowed by the standard to determine impairment of trade receivables.

(iv) Useful life and residual value of property, plant and equipment
The Company reviews the useful life and residual value of the property, plant and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

d) New standards, amendments and interpretations effective from 1 January 2018

The following standards, amendments and interpretations, which became effective as of 1 January 2018, are relevant to the Company:

(i) IFRS 9 Financial Instruments
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current year.

Set out below are the details of the IFRS 9 accounting policies applied in the current year and IFRS 9 transition impact disclosures for the Company:

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-for-trading, held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities with the exception of the treatment of the Company's own credit gains and losses, which arise where the Company has chosen to measure a liability at fair value through profit or loss.

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Company did not have a significant impact on impairment of financial assets from adoption of this standard.

2 *BASIS OF PREPARATION (continued)*

Impact of adopting IFRS 9

The impact from the adoption of IFRS 9 as at 1 January 2018 is as follows:

	Retained earnings	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	9,662,701	107,240
<u>Impact on reclassification and re-measurement:</u>		
Investment securities from available-for-sale to those measured at fair value through profit or loss	107,240	(107,240)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**9,769,941**	**-**

Classification and Measurement of Financial Instruments
The Company performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	3,707,213	3,707,213
Trade and other receivables	Loans and receivables	Amortised cost	2,796,719	2,796,719
Investment securities *Managed funds- at fair value*	Available-for-sale	FVTPL	6,731,064	6,731,064
			13,234,996	**13,234,996**

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The adoption of this standard had no significant impact on the financial statements.

e) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

2 BASIS OF PREPARATION (continued)

(i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Lease-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Company does not expect to have a significant impact on its financial statements from adoption of this standards.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. The accounting policies are consistent with those of the previous year except for changes arising from adoption of IFRS 9 and IFRS 15.

a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and represents amounts receivable for goods supplied or services performed. The Company recognises revenues when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Company; and when specific criteria has been met for each of the Company's activities, as described below:

(i) Revenue from flour sales
Revenue is measured based on the consideration specified in a contract with customer. The Company recognises revenue when it transfers control over goods or services to the customer.

(ii) Dividend income
Dividend income is recognized on the declaration date which is the date when the right to receive is established.

(iii) Interest income
Interest income is recognised as it accrues, using the effective interest rate method.

b) Government subsidy

Government subsidy represents the amounts received from the Government of the Kingdom of Bahrain through Ministry of Finance, to enable the Company to sell products at a controlled price as fixed by the Government. The subsidy is recorded on an accrual basis and is calculated as the difference between the actual cost of wheat used for local sales products plus an agreed rate per ton sold for all other related costs of flour sold locally, and the total local sales made during the year. This subsidy is recognised as income in the statement of profit or loss in the period in which the sales are made to customers.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Inventories

These are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The cost of the inventory is based on weighted average principle. Cost includes purchases price, freight, custom duty and direct labour charge and other incidental costs. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

d) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Bahraini Dinars, which is the Company's presentation currency.

(ii) Transactions and balances

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates ruling at the reporting date. Transactions in foreign currencies during the year are converted at the rate ruling at that time. Foreign exchange gains and losses are recognized in the statement of profit or loss.

e) Operating leases contracts

Payments for operating lease contracts are recorded as expenses in the statement of profit or loss according to the terms of these contracts.

f) Financial instruments

Financial assets and liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding investments in subsidiaries, equity accounted associated companies and joint ventures, employee benefit accruals, pre -payments and taxation payable.

Policy applicable from 1 January 2018

(i) Initial recognition and measurement

The Company recognises financial assets and liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology.

Financial assets are classified into one of the following three categories:-
- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income (FVTOCI);
- Financial assets at fair value through the profit or loss (FVTPL)

Financial liabilities are classified into one of the following two categories:-
- Financial liabilities at amortised cost;
- Financial liabilities at fair value through the profit or loss (FVTPL)

Financial assets are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition of the financial asset except transaction costs on financial instruments measured at FVTPL are not included in the amount at which the instrument is initially measured; instead, they are immediately recognised in profit or loss. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

All regular way purchases and sales of listed/ quoted financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which Company becomes party to the contractual provisions of the investments.

All regular way purchases and sales of other financial assets and liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty.

Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

(ii) Subsequent measurement

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets are measured at amortised cost using the effective interest rate method if:-

1) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the objective of the business model is to both hold to collect and sell debt instrument, it is classified at fair value through other comprehensive income.

If either of these two classification criteria is not met, the financial assets are classified and measured at fair value, either through the profit or loss (FVTPL) or through other comprehensive income (FVTOCI).

Additionally, even if a financial asset meets the amortised cost criteria, the entity may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)
At initial recognition, the Company can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:-

i) it has been acquired principally for the purpose of selling in the near term;
ii) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
iii) it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

The irrevocable election is on an instrument-by-instrument basis. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL and changes therein, including any interest or dividend income, are recognized in the profit or loss.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Financial liabilities at amortised cost
All financial liabilities, other than those classified and measured as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method as described in note (ii) above.

Financial liabilities at fair value through the profit or loss
Financial liabilities not otherwise classified above are classified as financial liabilities at FVTPL. This classification includes derivatives that are liabilities measured at fair value.

(iii) Derecognition of financial assets and liabilities

Financial assets are derecognised and removed from the statement of financial position when the right to receive cash flows from the assets has expired; the Company has transferred its contractual right to receive the cash flows from the assets, and substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised and removed from the statement of financial position when the obligation is discharged, cancelled, or expires.

(iv) Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. If the bid-ask spread for a specific asset or liability is wide, then the Company uses the price within the bid-ask spread that is most representative of fair value in the circumstances.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy applicable before 1 January 2018

(i) Classification
Investment securities are non-derivative investments that are designated as investment securities or that are not classified as another category of financial assets. Investment securities comprise investments in certain quoted managed funds.

(ii) Recognition and Measurement
Investment securities investments are initially recognised at fair value, including transaction costs and subsequently re-measured to fair value using the closing bid prices. Unrealised gains and losses arising from changes in the fair values of available-for-sale investments are recognised in other comprehensive income. In the event of sale, disposal, collection or impairment, the cumulative gains and losses recognised previously in other comprehensive income are transferred to profit or loss. Purchases and sales of available-for-sale investments are accounted for on the trade date. Available-for-sale investments where there is no quoted market price or other appropriate methods from which to derive reliable fair values, are carried at cost less impairment.

(iii) Fair Value
The fair value of quoted equity securities classified as available-for-sale investments is their quoted bid price at the reporting date. Investments in managed funds are valued at net asset values provided by the Investment Manager.

(iv) De-recognition of financial assets and liabilities
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

g) Impairment of financial assets

Policy applicable from 1 January 2018
The Company recognises loss allowance for ECL on financial assets measured at amortized cost. Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy applicable before 1 January 2018

Impairment
The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity Investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment. If such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in equity is removed and recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

h) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently carried at amortised cost less provision for impairment.

i) Property, plant and equipment

Property, plant and equipment held for operational purposes are carried at cost less accumulated depreciation and any impairment losses. The cost of the property, plant and equipment includes the cost of bringing them to their present location and condition. Direct costs are capitalized until assets are ready for use. Capital work-in-progress comprises the cost of assets that are not yet ready for their intended use as at the reporting date. The cost of additions and major improvements are capitalised.

(i) Subsequent cost
The Company recognises in the carrying amount of an item of property, plant and equipment, and the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

(ii) Depreciation
Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as follows:

Building (on leased land)	20 years
Plant and machinery	10 years
Capital spares	10 years
Motor vehicles	4- 10 years
Furniture and office equipment	2-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. When an item under property, plant and equipment is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the statement of financial position, the resulting gain or loss being recognized in statement of profit or loss.

j) Treasury shares

When share capital of the Company is repurchased, the amount of consideration paid is recognized as a change in equity. Repurchased shares classified as treasury shares are carried at cost and are presented as a deduction from equity.

k) Dividends

Dividends are recognised as a liability in the period in which they are declared.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Statutory reserve

In accordance with the Bahrain Commercial Companies Law 2001, 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is distributable only in accordance with the provisions of the law.

m) Employee benefits

(i) Bahraini employees
Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this funded scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in profit or loss.

(ii) Expatriate employees
Employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final salary. Provision for this, which is unfunded, and which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits has been made by calculating the notional liability had all employees left at the reporting date.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and deposits with original maturity of 90 days or less and are subject to insignificant risk of changes in their fair value.

o) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

p) Import finance loans

Import finance loans are recognised initially at the proceeds received as borrowings, net of transaction costs incurred. In subsequent periods, these are stated at amortised cost using the effective interest method. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings.

q) Board members' remuneration

Board members' remuneration is recognized in the statement of profit or loss on an accrual basis.

r) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

s) Impairment of non-financial assets:

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

4 TRADE AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
Gross receivables	3,087,073	2,797,488
Less: Provision for impairment	(372)	(769)
	3,086,701	2,796,719

The movement on provision for impairment is as follows:

	31 December 2018	31 December 2017
At 1 January	769	769
Charge for the year	372	-
Write-off during the year	(769)	-
At 31 December	**372**	769

5 INVENTORIES

	31 December 2018	31 December 2017
Wheat in silos	5,013,334	3,328,421
Wheat in transit	8,151	5,621
Finished goods	501,864	503,257
Packing materials	110,981	107,353
Spare parts and consumables	925,351	912,788
	6,559,681	4,857,440
Less: provision for obsolete and slow moving inventories	(334,658)	(292,154)
	6,225,023	4,565,286

The movement on provision for obsolete and slow moving inventories is as follows:

	31 December 2018	31 December 2017
At 1 January	292,154	296,292
Charges for the year	42,504	-
Released during the year	-	(4,138)
At 31 December	**334,658**	292,154

6 Investment securities

	31 December 2018	31 December 2017
Managed funds – at fair value	8,544,687	6,731,064
	8,544,687	6,731,064

Movement:

At beginning of the year	6,731,064	6,275,515
Additions	1,000,000	6,169,181
Disposals	-	(5,332,389)
Change in fair value	813,623	(340,702)
Impairment	-	(40,541)
At 31 December	**8,544,687**	6,731,064

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, Machinery and capital spares	Motor vehicles	Furniture and office equipment	Capital Work-in-progress	2018 Total	2017 Total
Cost							
At beginning of year	8,706,742	7,834,211	170,658	803,054	7,815	17,522,480	17,325,127
Additions	51,510	91,790	-	55,450	-	198,750	200,761
Disposals	-	(118,018)	(10,200)	(39,282)	-	(167,500)	(3,408)
Write-off	-	-	-	-	(7,815)	(7,815)	-
At 31 December	**8,758,252**	**7,807,983**	**160,458**	**819,222**	**-**	**17,545,915**	17,522,480
Depreciation							
At beginning of year	5,976,672	6,499,990	104,338	730,542	-	13,311,542	12,665,090
Charge for the year:							
- Cost of sales	255,835	317,823	8,444	14,590	-	596,692	599,451
- Others	7,808	2,616	3,627	26,016	-	40,067	49,313
Disposals	-	(118,018)	(10,200)	(39,282)	-	(167,500)	(2,312)
At 31 December	**6,240,315**	**6,702,411**	**106,209**	**731,866**	**-**	**13,780,801**	13,311,542
Net carrying value at 31 December 2018	**2,517,937**	**1,105,572**	**54,249**	**87,356**	**-**	**3,765,114**	4,210,938
At 31 December 2017	2,730,070	1,334,221	66,320	72,512	7,815	4,210,938	

The land at Mina Salman on which the mill was built is leased by the Company from the Government of the Kingdom of Bahrain.

8 TRADE AND OTHER PAYABLES

	31 December 2018	31 December 2017
Trade payables	70,413	60,323
Dividends payable	269,157	253,004
Accrued expenses and other payables	290,731	268,582
Advance from customers	4,566	40,375
	634,867	622,284

9 IMPORT FINANCE LOANS

Import finance loans are used to import wheat, unsecured and generally repayable within 90 to 180 days. Movement during the year as follows:

	31 December 2018	31 December 2017
At 1 January	3,038,622	1,679,407
Loans availed during the year	14,081,301	11,770,797
Loans repaid during the year	(12,111,292)	(10,411,582)
At 31 December	**5,008,631**	3,038,622

10 PROVISION FOR EMPLOYEES' LEAVING INDEMNITY

The Company's contributions in respect of non-Bahraini employee (one Bahraini staff in 2017) as per Bahrain Labor Law for 2018 amounted to BD 49,172 (2017: BD 43,243).

The movement in the provision for employees' leaving indemnity was as follows:

	31 December 2018	31 December 2017
Provision at beginning of the year	43,243	53,335
Charge during the year	14,011	14,485
Paid during the year	(8,082)	(24,577)
At 31 December	**49,172**	43,243

11 SHARE CAPITAL

	31 December 2018	31 December 2017
Authorised: 100 million shares		
Issued and fully paid: 24,832,500 shares of 100 fils each	2,483,250	2,483,250
6,930 treasury shares (2017: 6,930 shares)	(1,373)	(1,373)
Net shares in public issue	**2,481,877**	2,481,877

11 SHARE CAPITAL (continued)

Performance per share	**31 December 2018**	31 December 2017
Earnings per 100 fils share	48 fils	202 fils
Net asset value per 100 fils share	765 fils	739 fils
Stock Exchange price per 100 fils per share at 31 December	350 fils	380 fils
Stock Exchange price to earnings ratio	7:1	2:1
Total market capitalisation at 31 December (BD)	**8,691,375**	9,436,350

Additional information on shareholding pattern

(i) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest on 5% or more of outstanding shares as at 31 December 2018:

	Nationality	**No. of shares**	**% holding**
Bahrain Mumtalakat Holding Company B.S.C. (c)	Bahraini	16,322,806	65.73
Kuwait Flour Mills and Bakeries Company K.S.C.	Kuwaiti	1,848,000	7.44
Abdulhameed Zainal Mohammed	Bahraini	1,489,098	6.04

(ii) The Company has only one class of equity share and the holders of these shares have equal voting rights.

(iii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	**Number of Shares**	**Number of shareholders**	**% of total outstanding shares**
Less than 1%	5,288,096	1,708	21.30%
1% up to less than 5%	-	-	-
5% up to less than 10%	3,221,598	2	12.97%
10% up to less than 20%	-	-	-
20% up to less than 50%	-	-	-
50% and above	16,322,806	1	65.73%
	24,832,500	**1,711**	**100%**

*Expressed as a percentage of total shares of the Company.

12 COST OF SALES	**2018**	2017
Raw materials	12,844,101	10,995,863
Staff cost	777,450	742,265
Depreciation (note 7)	596,692	599,451
Packing materials	218,520	224,911
Maintenance, repairs and utilities	331,946	311,553
Others	336,929	287,461
	15,105,638	13,161,504

13 GOVERNMENT SUBSIDY

Government subsidy is calculated as the difference between the actual cost of wheat purchased and used for local sales products plus BD 31 per ton (2017: BD 31 per ton) sold for all other related costs of flour sold locally, and the total local sales made during the year. The following table shows the details of Government subsidy:

	2018	2017
Actual cost of wheat purchased and used	12,807,667	10,928,409
Plus: BD 31 per ton of wheat products sold locally	3,894,034	3,896,173
	16,701,701	14,824,582
Less: Gross sales subject to subsidy	(7,143,333)	(6,977,005)
	9,558,368	7,847,577

Quantity sold during the year was 125,614 tons (2017: 125,683 tons).

14 OTHER OPERATING EXPENSES

	2018	2017
Staff cost	761,955	779,304
General and administrative expenses	297,083	228,180
Depreciation (note 7)	40,067	49,313
Board of directors remunerations	60,000	60,000
Professional fees	51,231	50,319
Other	133,415	127,615
	1,343,751	1,294,731

15 INVESTMENT INCOME

	2018	2017
Dividends income	27,477	152,053
Net change in fair value of investment securities	813,623	-
Profit on sale of available-for-sale investments	-	4,331,143
	841,100	4,483,196

16 OTHER INCOME

	2018	2017
Delivery income	9,172	11,366
Income from shipments claims	30,829	31,088
Service income	19,664	8,236
Bank interest	54,552	71,936
Others	33,101	55,644
	147,318	178,270

17 EARNING PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of equity shares outstanding during the year ended 31 December 2018 as follows:

	2018	2017
Profit for the year	1,195,239	5,003,773
Weighted average number of equity shares in issue	24,832,500	24,832,500
Basic earnings per share	48 fils	202 fils

Diluted earnings per share have not been presented as the Company has no instruments convertible into ordinary shares that would dilute earnings per share.

18 OPERATING LEASES COMMITMENTS

The Company has entered into operating leases on land and buildings with leases terms between one and twenty five years. The future minimum rental payments under operating leases as at 31 December as follows:

	2018	2017
Less than one year	40,332	40,332
Between one and five years	25,861	62,983
More than five years	12,720	12,780
	78,913	116,095

19 SEGMENTAL ANALYSIS

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment) or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segment. The Company's current activities are primarily the production of flour and related products which are sold in the local market. The revenue, expenses and results are reviewed only at a Company level and therefore no separate operating segment results and related disclosures are provided in these financial statements.

20 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company.

20 RELATED PARTY TRANSACTIONS (continued)

a) Transactions and balances with parent company associates

	2018	2017
i) Statement of financial position		
Import finance loans	3,102,371	421,674
Accrued interest payable related to import finance loans	44,601	1,293
	3,146,972	422,967

	2018	2017
ii) Statement of profit or loss		
Interests expenses related to import finance loans	34,467	31,763
Other operating expenses	6,832	7,134
	41,299	38,897

b) Transactions with key management personnel

Key management personnel of the Company comprises of the Board of Directors, the Chief Executive Officer and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2018	2017
Board of Directors' remunerations provision	60,000	60,000
Directors' setting fees	122,000	71,994
Other board of directors expenses	20,231	12,222
Salaries and other benefits of other key management personal	196,590	263,861
Total compensation	**398,821**	408,077

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and bank balances, receivables and available-for-sale investments.

Financial liabilities of the Company include payables and import finance loans.

a) Risk management:

The Company has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements.

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Day to day monitoring of the Company's activities and risks is performed by the Board Committees and the Chief Executive Officer.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to limit its credit risk with respect to customers by means of the following policies:

- Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures laid down by the Company.
- Credit review procedures are designed to identify at an early stage exposure, which require more detailed monitoring and review.
- Cash is placed with banks with good credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
Bank balances	3,054,527	3,706,142
Trade and other receivables	2,908,852	2,742,789
	5,963,379	6,448,931

The maximum exposure to credit risk from receivables at the reporting date by segment was:

	2018	2017
Government	2,722,124	2,304,180
Non-government	186,728	438,609
	2,908,852	2,742,789

The Company does not hold any collateral against the above receivables.

The ageing of receivables at the reporting date was:

	2018		2017	
	Gross	**Impairment**	Gross	Impairment
Neither past due nor impaired	1,086,223	-	1,027,285	-
Past due not impaired:				
Past due 1-30 days	860,805	-	721,730	-
Past due 31-90 days	866,457	-	690,649	-
Past due 91-120 days	4,813	-	9,426	-
Over 120 days	90,554	-	293,699	-
Past due and impaired:				
Over 120 days	372	372	769	769
	2,909,224	**372**	2,743,558	769

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

Liquidity risk, also referred to as funding risk, is the risk the Company will encounter difficulty in raising funds to meet obligations associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a daily basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Company does not resort to borrowings but has the ability to raise funds from banks at short notice.

The following are the contractual maturities of financial liabilities:

31 December 2018	**Carrying value**	**0 up to 3 months**	**3 up to 6 months**	**6 months up to 1 year**	**1 up to 5 years**	**over 5 years**
Trade and other payables	365,710	365,710	-	-	-	-
Import finance loans	5,008,631	3,457,445	1,551,186	-	-	-
Dividend payable	269,157	269,157	-	-	-	-
	5,643,498	**4,092,312**	**1,551,186**	**-**	**-**	**-**

31 December 2017	Carrying value	0 up to 3 months	3 up to 6 months	6 months up to 1 year	1 up to 5 years	over 5 years
Trade and other payables	369,280	369,280	-	-	-	-
Import finance loans	3,038,622	2,556,268	482,354	-	-	-
Dividend payable	253,004	253,004	-	-	-	
	3,660,906	3,178,552	482,354	-	-	-

Market risk is the risk that that changes in market prices will affect the Company's income or the value of its financial instruments; whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all investments traded in the market.

The Company is exposed to market risk with respect to its available-for-sale investments.

Interest rate risk is the risk that the Company's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

b) Classification and fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown at the reporting date, are as follows:

2018	**FVTPL**	**Amortised cost**	**Total carrying amount**
Cash and bank balances	-	3,056,944	3,056,944
Trade and other receivables	-	2,908,852	2,908,852
Investment securities	8,544,687	-	8,544,687
	8,544,687	**5,965,796**	**14,510,483**
Trade and other payables	-	365,710	365,710
Import finance loans	-	5,008,631	5,008,631
Dividends payable	-	269,157	269,157
	-	**5,643,498**	**5,643,498**

2017	Loans and receivables	Available-for-sale	Others at amortised cost	Total carrying amount	Fair value
Cash and bank balances	3,707,213	-	-	3,707,213	3,707,213
Trade and other receivables	2,742,789	-	-	2,742,789	2,742,789
Available-for-sale investments	-	6,731,064	-	6,731,064	6,731,064
	6,450,002	6,731,064	-	13,181,066	13,181,066
Trade and other payables	-	-	369,280	369,280	369,280
Import finance loans	-	-	3,038,622	3,038,622	3,038,622
Dividends payable	-	-	253,004	253,004	253,004
	-	-	3,660,906	3,660,906	3,660,906

Fair value hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- *Level 1* quoted prices (unadjusted) in active markets for identical assets and liabilities.
- *Level 2* inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

- *Level 3* inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities at fair value through profit or loss:				
Managed funds	8,544,687	-	-	8,544,687
	8,544,687	**-**	**-**	**8,544,687**

2017	Level 1	Level 2	Level 3	Total
Available-for-sale investments:				
Managed funds	6,731,064	-	-	6,731,064
	6,731,064	-	-	6,731,064

There were no transfers between the levels during the year. The Company has not disclosed the fair value for other financial instruments because their carrying amounts are a reasonable approximation of fair values.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as total shareholders' equity and the level of dividends to shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

22 PROPOSED APPROPRIATIONS AND DIVIDENDS

The Board of Directors have proposed the following appropriations for the year which will be submitted for formal approval at the annual general meeting:

	2018	2017
Cash dividends 10 fils per share (2017: 20 fils per share)	248,256	496,511
Charity contribution	20,000	20,000
Transfer to retained earnings	926,983	4,487,262

23 COMPARATIVES

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such regroupings did not affect previously reported profit and total comprehensive income for the year or total equity.